AUDIT REPORT

CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF FINANCIAL AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Financial and Operating Practices of Staten Island Community Boards No. 1, No. 2, and No. 3

FP02-172A

November 13, 2002

The City of New York
Office of the Comptroller
Bureau of Financial Audit

Audit Report on the Financial and Operating Practices of Staten Island Community Boards No. 1, No. 2, and No. 3

FP02-172A

EXECUTIVE SUMMARY

This audit determined whether Staten Island's three Community Boards (the Boards) complied with applicable payroll, timekeeping, purchasing, and inventory procedures, as set forth in the Mayor's Office Community Assistance Unit *Procedural Guidelines for Community Boards*, the Office of Payroll Administration's policies and procedures, the Procurement Policy Board (PPB) Rules, and the New York City Comptroller's *Internal Control and Accountability Directives* (Comptroller's Directives). The scope of this audit covered the period July 1, 2000, to June 30, 2001.

The audit found that the Boards generally adhered to the requirements of the *Procedural Guidelines for Community Boards*, the Office of Payroll Administration's policies and procedures, the PPB Rules, and the Comptroller's Directives. Our examination of each Board's Personal Services and Other Than Personal Services expenditures disclosed no instances in which money was improperly expended.

In addition, vouchers and purchase orders were properly prepared by each Board; Imprest Fund purchases were processed in accordance with Comptroller's Directive #3; salaries of Board employees were within the allowable salary ranges for their respective Civil Service titles; tested personnel were bona fide employees; new employees were properly authorized before being placed on payroll; separated employees were accurately paid; and each Board had adequate inventory procedures.

However, there were certain instances in which the Boards did not comply with timekeeping, purchasing, and payroll procedures. With regards to timekeeping regulations, we found that leave authorization forms were not always submitted. Employees did not always sign in or out. We noted discrepancies in certain time records; and some time sheets lacked evidence of supervisory review. In one case, an employee had taken an excessive amount of undocumented sick leave.

With regards to adhering to purchasing controls and procedures, we found that vouchers, purchase orders, and purchase requisition documents were not always stamped "vouchered," and they did not always indicate that the goods or services were actually received. Also, some purchases were charged to incorrect object codes. Furthermore, since November 1999, Community Board No. 3 (Board 3) has been paying one of its employees approximately $85 per month for cleaning the Board's office—in addition to her regular wages. These payments were not included in the employee's total earnings as reported on her W-2 statement, and Board 3 did not pay FICA or withhold taxes on these amounts. Paying the employee for services other than her official duties may be a conflict of interest. Therefore, we recommended that the Board contact the Conflict of Interest Board for a ruling on this matter. On May 22, 2002, the Board requested such a ruling. To date, no ruling has been received.

As a consequence of our findings, the Boards should ensure that: employees submit authorized leave slips for all time leave used; there is closer supervisory review of timekeeping records to ensure that entries in the time book and time sheets match; all time sheets are authorized; employees sign in and out each day; all purchase documents within a purchasing package are stamped "vouchered" when the vouchers are prepared; and correct object codes are used for all purchases. In addition, Board 1 should ensure that all vouchers are stamped to show that the goods or services were actually received. Finally, Board 3 should: adhere to the City's sick leave regulations concerning medical documentation; report all payments for services rendered by its employees on each employee's W-2 statements; and comply with the Conflict of Interest Board's ruling, when it is received, concerning an employee who provides cleaning services.

In the Boards' responses, they described steps that they have taken or will take to implement the report's recommendations. The Staten Island Borough President's Office stated that it will ensure that the Boards follow City timekeeping procedures, and that it will provide technical assistance and advice to the Boards regarding procurement matters.

INTRODUCTION

Background

Community Boards exist for each of the 59 Community Districts throughout New York City. Each Community Board has up to 50 non-salaried members, appointed by the five NYC Borough Presidents. Board members reside, work, or have significant interests in their districts. Each Community Board hires a District Manager as its chief executive officer. Part of each District Manager's responsibilities includes assisting in the hiring of an administrative staff, supervising the staff, and managing the daily operations of the district office. The five Borough Presidents' Offices provide administrative assistance to the Community Boards.

Collectively, Community Board No. 1 (Board 1), Community Board No. 2 (Board 2), and Community Board No. 3 (Board 3), the Boards—cover the entire Borough of Staten Island. Board 1 has four full-time employees, including a District Manager, two Community Associates, and one Community Assistant. Board 2 has three full-time employees, including a District

Manager, two Community Associates, and one part-time Community Service Aide. Board 3 has three full-time employees, including a District Manager, a Community Associate, a Community Assistant, and a part-time Clerical Associate.

During Fiscal Year 2001, Personal Services expenditures amounted to $158,630 for Board 1, $152,568 for Board 2, and $147,190 for Board 3. Other Than Personal Services expenditures amounted to $45,322 for Board 1, $16,905 for Board 2, and $73,524 for Board 3.

Objective

This audit was conducted to determine whether the Boards are complying with applicable payroll, timekeeping, purchasing, and inventory procedures, as set forth in the Mayor's Office Community Assistance Unit *Procedural Guidelines for Community Boards*, the Office of Payroll Administration's policies and procedures, the Procurement Policy Board Rules, and the New York City Comptroller's *Internal Control and Accountability Directives*.

Scope and Methodology

This audit covered the period July 1, 2000, to June 30, 2001.

To obtain an understanding of the procedures and regulations which the Boards are required to comply with, we reviewed the *Procedural Guidelines for Community Boards*, Comptroller's Directives, and other applicable City laws, regulations, and policies. We interviewed staff members of the Boards' offices and of the Borough President's Office to obtain an understanding of the Boards' payroll, timekeeping, and purchasing procedures, and to determine how the Boards safeguard their physical assets.

To assess the Boards' internal controls in relation to our audit objectives, we evaluated the information obtained in the above-mentioned interviews and supplemented those interviews with a review of the Boards' and the Borough President's related procedures.

To ensure that the Boards used proper procedures when making purchases, we sampled 17 purchase vouchers issued by the three Community Boards in fiscal year 2001. We examined each voucher for the requisite approvals, authorizations and for indications that the transactions were for proper business purposes. We also reviewed the supporting documentation of vendor invoices for each voucher. We verified whether each voucher was correctly coded, and ensured that no duplicate vouchers were processed.

To determine whether the Boards were in compliance with Imprest Fund procedures specified in Comptroller's Directive No. #3, we examined all canceled checks and check stubs issued by the Boards from April through June 2001. We traced all checks to their bank statements and examined each check for authorized signatures and amounts. We examined the checks and their amounts for a specified payee (as opposed to "bearer" or "cash"), for the

eligibility of the expenditure, for appropriate endorsements, and to verify that the inscription "void after 90 days" was stamped on each check. We also verified whether the Boards performed monthly bank reconciliations and ascertained whether each Imprest Fund expenditure was within its allowable amount for a particular vendor or item.

To verify that all personnel were bona fide employees, we compared the names on the employee timekeeping records with the names on the payroll registers for the pay periods of July 7, 2000, and July 6, 2001. In addition, for two pay periods—June 18, 2001, and July 6, 2001—we reviewed the PMS (Payroll Management System) reports that each employee must sign when receiving a check, to confirm that each employee who received a paycheck also signed the report.

To verify the accuracy of employee leave balances, we compared the times charged on employee time sheets and the sign-in/sign-out books for April 1, 2001, through June 30, 2001, with the data on the PMS Employee Leave Details Reports. We also examined the time sheets for completeness and evidence of supervisory review. We reviewed compensatory time transactions and annual leave usages for proper approvals and postings. We verified whether accumulated compensatory time was used within 120 days after being earned, and if not, that it was transferred to sick leave balances.

We examined the PMS Employee Leave Details Reports for April through June 2001 to verify whether sick leave usages by Board employees were documented appropriately and coded correctly, in accordance with City time and leave regulations.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS), and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the City Comptroller's audit responsibilities as set forth in Chapter 5, § 93, of the New York City Charter.

Discussion of Audit Results

The matters covered in this report were discussed with officials from the three Staten Island Community Boards and the Staten Island Borough President's Office during and at the conclusion of this audit. A preliminary draft was sent to officials from the three Staten Island Community Boards and the Staten Island Borough President's Office and discussed at an exit conference held on September 12, 2002. On September 24, 2002, we submitted a draft report to officials of the three Staten Island Community Boards and the Staten Island Borough President's Office with a request for comments. We received written comments from the three Boards and the Borough President's Office.

In the Boards' responses, they described steps that they have taken or will take to implement the report's recommendations. The Borough President's Office stated that it will ensure that the Boards follow City timekeeping procedures, and that it will provide technical assistance and advice to the Boards regarding procurement matters.

FINDINGS AND RECOMMENDATIONS

We found that the Boards generally adhered to the requirements of the *Procedural Guidelines for Community Boards*, the Office of Payroll Administration's policies and procedures, the PPB Rules, and the Comptroller's Directives. Our examination of the Personal Services and Other Than Personal Services expenditures of each of the Boards disclosed no instances in which money was improperly expended.

Based on the documentation reviewed, we determined that:

- Purchases made by each Board were for items that were necessary for that Board's operations;
- Sampled vouchers and purchase orders were accurately calculated and properly prepared by each Board;
- Sampled Imprest Fund purchases were supported by invoices and were for less than $250, in accordance with Comptroller's Directive 3;
- Salaries of Board employees were within the allowable salary ranges for their respective Civil Service titles;
- Personnel and payroll controls we tested revealed that employees included in our sample were bona fide;
- New employees were properly authorized before being placed on payroll;
- Separated employees were accurately paid; and
- Each Board had an up-to-date and accurate inventory list and inventory items were properly tagged for identification.

However, we found certain instances where the Boards did not comply with timekeeping, purchasing, and payroll procedures, as follows:

- Leave authorization forms were not always submitted; employees did not always sign in or out when arriving to and departing from work; discrepancies were noted in certain time records; some time sheets lacked evidence of supervisory review; and, one employee exceeded the number of undocumented sick leave instances allowed in a six-month period.
- Vouchers, purchase orders, and purchase requisition documents were not always stamped "vouchered," and did not always indicate that the goods or services were

actually received. In addition, some purchases were charged to incorrect object codes.

- Certain additional earned payments to one employee were not reported, as required, to the Internal Revenue Service.

These issues are discussed in detail in the following sections of the report:

Weaknesses in Timekeeping Procedures

Our review of the three Boards indicated that leave authorization forms were not always submitted; employees did not always sign in or out when arriving to and departing from work; there were discrepancies in certain time records; some time sheets lacked evidence of supervisory review; one employee exceeded the number of undocumented sick leave instances allowed in a six-month period; and, certain employees were allowed to maintain excessive annual leave balances.

With regard to Board 1, we found 21 instances, of the 32 instances reviewed, in which either leave slips were missing or the employees' supervisors did not sign the leave slips. In addition, we found seven instances (of the 172 instances reviewed) in which employees did not record their arrival or departure times in the sign-in/sign-out book. Furthermore, there were discrepancies between the work-hours recorded on employee time sheets and the work-hours recorded in the sign-in/sign-out book, for 12 of the 39 time sheets reviewed. Finally, one employee's supervisor did not sign three of his time sheets.

Board 2 did not have a leave slip for one of the 17 leave instances reviewed. In addition, there were two instances (of the 164 entries reviewed) in which employees did not record their arrival or departure times in the sign-in/sign-out book. Lastly, there was one discrepancy between the work-hours recorded on one employee's time sheet and the work-hours recorded in the sign-in/sign-out book, of the 39 time sheets reviewed.

With regard to Board 3, for six of the 26 leave instances reviewed, there were either leave slips missing or an employee's supervisor did not sign the leave slips. In addition, there were two instances (of the 215 entries reviewed) in which employees did not record their arrival or departure times in the Board's sign-in/sign-out book. Finally, one employee had six instances of undocumented sick leave use within a six-month period, an excessive amount. Article V of the *Time and Leave Regulations* requires proof of a medical condition when an employee uses undocumented sick leave more than five times within a six-month period. We found no medical documentation proving that the employee had a medical condition.

Weaknesses in Purchasing Procedures

Although the Boards correctly stamped all invoices "vouchered," they did not always stamp "vouchered" on all of the vouchers and purchase orders that were processed, as required

by Comptroller's Directive No. 24. Even though Board 1 has a procedure in place to stamp the vouchers attesting that the goods or services were received, the procedure was inconsistently applied. We found that vouchers for nine of the 19 purchases reviewed were not stamped to show the receipt of the goods or services.

Postings to Incorrect Object Codes

The Boards charged 18 of the 88 purchases reviewed, to incorrect object codes. For example: Board 1 charged two purchases of bottled water to Object Code 100—*Supplies and Materials-General*. These purchases should have been charged to Object Code 110—*Food and Forage Supplies*. Board 2 charged personal travel expenses to Object Code 612—O*ffice Equipment Maintenance-Contractual.* According to the City's Chart of Accounts, such travel costs should be charged to Object Code 451—*Local Travel Expenditures-General.* Board 3 charged seven purchases of refreshments to Object Code 400—*Contractual Expenditures-General.* These purchases should have been charged to Object Code 110—*Food and Forage Supplies*.

Table 1, below, shows the number of purchases charged to incorrect object codes for each Board:

TABLE 1

Postings to Incorrect Object Codes

Agency	Number of Purchases Reviewed	Number of Purchases Charged to Incorrect Object Codes
Board 1	19	6
Board 2	26	4
Board 3	43	8
Total	**88**	**18**

Earnings Not Reported to the IRS

Since November 1999, Board 3 has been paying to one of its employees approximately $85 per month (in addition to her regular wages), as earnings for cleaning the Board's office. The Board improperly made the payment through its Imprest Fund, rather than through its payroll account. As a result, these payments were not included in the employee's total earnings as reported on her W-2 statement, and Board 3 did not pay FICA or withhold taxes on these amounts.

In addition, because there may be a conflict of interest in allowing this employee to be paid for services other than her official duties, we recommended that the Board contact the

Conflict of Interest Board for a ruling on this matter. On May 22, 2002, the Board requested such a ruling. As of October 1, 2002, no ruling had been received.

Recommendations

All three Boards should ensure that:

1. Employees submit authorized leave slips for all leave time used.

2. There is closer supervisory review of timekeeping records to ensure that entries in the time book and time sheets match, that all time sheets are authorized, and that employees sign in and out each day.

   Board 1 Response: "We have already changed our practice with regard to the leave slips. We will check our sign-in books and time sheets to be certain they are properly signed."

   Board 2 Response: "Please be advised that the Board will be more careful of the entries on time sheets and has advised all staff members that they must sign in and out every day that they report to work. The Board will also make sure that even though a doctor's note has been recorded that a leave slip will be filled out to concur with the doctor's note."

   Board 3 Response: "All employees will submit authorized leave slips for all leave used; there will be closer supervisory review of timekeeping records to ensure that the time book and time sheets match; all time sheets will be authorized; employees will sign in and out each day."

   Borough President's Response: "Relative to timekeeping procedures, our Personnel Office will ensure that: all timesheets and leave slips are properly signed by Community Board supervisors; all leave slips for time off are submitted."

3. All purchase documents within a purchasing package are stamped "vouchered" when the vouchers are prepared.

4. All purchases are charged to the correct object codes.

   Board 1 Response: "We will now be certain to mark each paper with a voucher stamp. A budget modification has already been processed to include Code 110."

   Board 2 Response: "The Board has set up an Object Code 110 to correct this problem. In addition the Board will make every effort to insure that all charges are made to the correct object codes even though all of our entry work is done by staff at FMS."

Board 3 Response: "All purchase documents within the purchasing package are stamped 'vouchered' when the voucher is prepared; correct object codes will be used for all purchases."

Borough President's Response: "The Community Boards are totally responsible for their own procurement of goods and services, in accordance with City directives. However, this office remains available to provide technical assistance and advice when contacted by the community boards."

Board 1 should ensure that:

5. All vouchers are stamped to show that the goods or services were actually received.

   Board 1 Response: "We will now be certain to mark each paper with a voucher stamp."

   Borough President's Response: "The Community Boards are totally responsible for their own procurement of goods and services, in accordance with City directives. However, this office remains available to provide technical assistance and advice when contacted by the community boards."

Board 3 should:

6. Adhere to the City's sick leave regulations concerning medical documentation.

   Board 3 Response: "We will carefully monitor and adhere to the City's sick leave regulations concerning medical documentation."

   Borough President's Response: "The sick leave policy will be enforced; and documentation for sick leave is provided according to City Policy."

7. Report all payments for services rendered by its employees on each employee's W-2 statements.

8. Comply with the Conflict of Interest Board's ruling concerning an employee who provides cleaning services, when such ruling is received.

   Board 3 Response: "With regard to the services rendered by a College Aide for the purpose of cleaning the board office, Community Board #3 had a verbal approval from the Conflict of Interest Board. When we asked them to put it in writing they stated they would be happy to do so but this was a low priority. Since this seems to have caused some concerns of which we were not aware, we have discontinued the cleaning services of the individual in question."

Borough President's Response: "The Community Boards are totally responsible for their own procurement of goods and services, in accordance with City directives. However, this office remains available to provide technical assistance and advice when contacted by the community boards."

City of New York
Community Board No. 1
1 Edgewater Plaza, Suite 217 • Staten Island, New York 10305
Tel: 718-981-6900 Fax: 718-720-1342

October 4, 2002

Mr. Greg Brooks
Deputy Comptroller
NYC Comptroller's Office
Bureau of Financial Audit
1 Centre Street
New York, N. Y. 10007-2341

Re: Audit Report on the Financial and Operating Practices of S.I.Community Boards No.1, No. 2 and No. 3 FPO2-172A

Dear Mr. Brooks:

We are in receipt of the above-referenced draft report. The report has been reviewed by the undersigned, and our responses are as follows:

1. Leave slips: In the time frame which was reviewed, our night secretary was reporting all her flex time together. Therefore, although it appeared that time slips were missing, the time was correctly reported. We kept very detailed separate records to account for the hours.

AIP: We have already changed our practice with regard to the leave slips. We will check our sign-in books and time sheets to be certain they are properly signed.

2. Vouchers: Our completed vouchers always went directly to Borough Hall. At that time, there was a fiscal unit specifically for the Community Boards where our records were filed. When we began receiving our completed work directly, we didn't realize we needed to voucher every paper we filed.

AIP: We will now be certain to mark each paper with a voucher stamp.

3. Incorrect object code: We were always told to charge our drinking water to Code 100. I have been through three audits and have never before been told to use 110.

AIP: A budget modification has already been processed to include Code 110.

Our Procedural Guidelines for Community Boards book is dated 1993, our latest Chart of Codes book is dated July 14, 1995.

Sincerely,

Joseph Carroll, DM Anthony Cosentino, Treasurer Anne Bruns, Preparer

COMMUNITY
BOARD TWO
BOROUGH OF
STATEN ISLAND
460 BRIELLE AVENUE
S.I., N.Y. 10314
(718) 317-3235
FAX (718) 317-3251
EMAIL: cb2sidm@aol.com

LOU CARAVONE
CHAIRMAN

KATHY DODD
DISTRICT MANAGER

October 21, 2002

Mr. Lawrence Welgrin
Audit Manager
Office of the Comptroller
1 Centre Street
New York, NY 10007

Dear Mr. Welgrin:

Community Board 2 has received a copy of the Audit Report on the Financial and Operating Practices of Staten Island Community Boards No.1, No. 2, and No. 3 FP02-172A.

1. In review of the Board's timekeeping procedures your office indicated that there were two instances in which employees did not record their arrival or departure times, one discrepancy in the hours recorded on the time sheet and recorded in the sign-in sign-out book and one missing leave slip.

   Please be advised that the Board will be more careful of the entries on time sheets and has advised all staff members that they must sign in and out every day that they report to work. The Board will also make sure that even though a doctors note has been recorded that a leave slip will be filled out to concur with the doctor's note.

2. Purchases charged to incorrect codes: As was discussed at our exit meeting the Board was not aware that a food and forage object code was necessary for the purchase of bottled water .

The Board has set up an Object Code 110 to correct this problem. In addition the Board will make every effort to insure that all charges are made to the correct object codes even though all of our entry work is done by staff at FMS.

The Board hopes that the above meets with your approval

Yours truly,

Lou Caravone
Chair

LC:vm

BOROUGH OF STATEN ISLAND
COMMUNITY BOARD 3

655-218 Rossville Avenue, Staten Island, N.Y. 10309
Telephone: (718) 356-7900, 7903
FAX: (718) 966-9013

October 1, 2002

Mr. Lawrence Welgrin, Audit Manager
Office of the Comptroller
1 Centre Street
New York, NY 10007

Re: Audit Report on the Financial and
Operating Practices of Staten Island, Community Board #3

Dear Mr. Welgrin:

Community Board #3 has taken under advisement all of your comments and made the necessary corrections. We submit to you the following comments regarding your final audit report.

All employees will submit authorized leave slips for all leave used; there will be closer supervisory review of timekeeping records to ensure that the time book and time sheets match; all time sheets will be authorized; employees will sign in and out each day; all purchase documents within the purchasing package are stamped "vouchered" when the voucher is prepared; correct object codes will be used for all purchases; and we will carefully monitor and adhere to the City's sick leave regulations concerning medical documentation.

With regard to the services rendered by a College Aide for the purpose of cleaning the board office, Community Board #3 had a verbal approval from the Conflict of Interest Board. When we asked them to put it in writing they stated they would be happy to do so but this was a low priority. Since this seems to have caused some concerns of which we were not aware, we have discontinued the cleaning services of the individual in question.

As far as withholding taxes, we have never withheld taxes for any vendor either corporate or individual therefore we did not believe this person should be an exception to that practice. Had we known, we certainly would have done the proper thing, as we would have no reason to do otherwise.

We certainly hope our comments will satisfy your audit and would like you to know we will continue to comply with all directives of the Comptrollers Office at all times.

Very truly yours,

John Antoniello,
Chairman of the Board

Marie Bodnar,
District Manager

JA:MB:da

CITY OF NEW YORK
PRESIDENT
OF THE
BOROUGH OF STATEN ISLAND

JAMES P. MOLINARO
PRESIDENT

BOROUGH HALL, STATEN ISLAND, N.Y. 10301

October 18, 2002

Mr. Greg Brooks, Deputy Comptroller
N.Y.C. Comptroller's Office
One Centre Street
New York, New York 10007

Dear Mr. Brooks:

The Office of the Borough President is in receipt of a "Draft" copy of the Audit Report on the Financial and Operating Practices of Staten Island Community Boards No.1, No.2 and No. 3 dated September 27, 2002.

There are two areas in which we offer a response:

1. Relative to timekeeping procedures, our Personnel Office will ensure that: all timesheets and leave slips are properly signed by Community Board supervisors; all leave slips for time off are submitted; the sick leave policy will be enforced; and documentation for sick leave is provided according to City Policy.

2. Relative to procurement matters, since the retirement of Nancy Carpiniello in our Fiscal Office in December of 2000, combined with severe budget reductions, this office is no longer able to provide oversight responsibility for any procurements made by the three Staten Island Community Boards. The Community Boards are totally responsible for their own procurement of goods and services, in accordance with City directives. However, this office remains available to provide technical assistance and advice when contacted by the community boards.

Thank you for this opportunity to offer comments on your recommendations.

Sincerely,

Daniel L. Master
Counsel to the
Borough President

DLM/sm